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I APPRECIATE THE OPPORTUNITY TO SPEAK WITH YOU TODAY ON THE IMPORTANT ISSUE OF TECHNOLOGY TRANSFER TO CHINA. I WILL BRIEFLY SUMMARIZE THE SUBSTANCE OF MY WRITTEN STATEMENT. FOLLOWING THAT, I WILL BE HAPPY TO DISCUSS IN MORE DETAIL ANY ISSUES OF INTEREST. I WILL BEGIN WITH AN OVERVIEW OF CURRENT US POLICY TOWARD CHINA.

OVERVIEW OF US POLICY TOWARD CHINA

DURING THE 1970s, OUR LINKS WITH CHINA WERE BASED SPECIFICALLY ON THE STRATEGIC THREAT FROM THE SOVIET UNION. SINCE THEN, OUR RELATIONSHIP HAS RESULTED IN MANY BENEFITS TO THE UNITED STATES, INCLUDING INCREASED TRADE, EXTENSIVE CONTACTS, COOPERATION IN EDUCATIONAL AND CULTURAL SPHERES, AND A BROADER EXCHANGE OF VIEWS ON REGIONAL AND GLOBAL ISSUES. ALTHOUGH WE DO NOT ALWAYS AGREE ON INTERNATIONAL ISSUES, OUR DIALOGUE HAS INCREASED UNDERSTANDING OF OUR RESPECTIVE POSITIONS AND, WE BELIEVE, REDUCED POTENTIAL AREAS OF DISAGREEMENT BETWEEN US.

NEITHER OF US ARE INTERESTED IN BECOMING ALLIES. THEY STRONGLY ADVOCATE AN "INDEPENDENT FOREIGN POLICY" WHICH GIVES THEM FLEXIBILITY TO CRITICIZE U.S. AND SOVIET POLICIES. WE CALL THEM ON SUCH ACTIONS, BUT WE DO COOPERATE IN CAMBODIA AND IN AFGHANISTAN, AND HAVE IMPORTANT INTELLIGENCE RELATIONSHIPS.

WE HAVE CONVEYED OUR SERIOUS CONCERNS OVER THEIR ARMS SUPPLY TO IRAN AND THE DANGERS AN IRANIAN VICTORY WOULD BRING. WE CONTINUE TO WATCH THEIR NUCLEAR TIES WITH PAKISTAN CLOSELY. THEY KEEP PUSHING THE NORTH KOREAN LINE. AND WE CONTINUE TO

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DISAGREE ON TAIWAN. BEIJING CONTINUES TO OBJECT TO SOME OF OUR ARMS SALES AND TO URGE US TO PUSH TAIPEI TO ACCEPT CHINA'S PROPOSALS FOR DIRECT CONTACTS AND "ONE COUNTRY, TWO SYSTEMS". WE HAVE REITERATED THAT THE CORE OF THE PROBLEM IS NOT THE U.S. BUT THE HISTORIC MISTRUST BETWEEN CHINESE ON BOTH SIDES. WE HAVE ADHERED TO THE THREE COMMUNIQUEES WITH THE PRC WHILE MEETING OUR OBLIGATIONS UNDER THE TAIWAN RELATIONS ACT AND WE WILL SEEK NEITHER TO MEDIATE NOR TO OBSTRUCT IMPROVED CONTACTS BETWEEN CHINA AND TAIWAN AS LONG AS THE PROCESS IS PEACEFUL.

OUR GROWING MILITARY COOPERATION, INCLUDING SALES OF SOME DEFENSIVE ARMS TO CHINA, VISITS, AND WORKING LEVEL CONTACTS, IS PROCEEDING CAUTIOUSLY AND DELIBERATELY. WE BELIEVE THAT OUR INTERESTS ARE BETTER SERVED BY WORKING TO ESTABLISH MILITARY TIES WITH THE PRC THAN BY REFUSING TO ASSIST THEM IN THEIR MODERNIZATION EFFORTS IN ALL APPROPRIATE AREAS OF ACTIVITY. THERE IS A LIMIT ON HOW MUCH THEY WILL BE ABLE TO BUY FROM US GIVEN THEIR SEVERE FOREIGN EXCHANGE DIFFICULTIES AND MILITARY BUDGET LIMITATIONS.

WITH CONTINUED DOMESTIC POLITICAL STABILITY, ECONOMIC REFORM, AND EXTERNAL PEACE, I BELIEVE CHINA WILL MODERNIZE AND BECOME A MAJOR POWER WITHIN THE NEXT SEVERAL DECADES. IS IT MORE IN OUR INTERESTS TO OPPOSE, OBSTRUCT, AND RETARD THIS MODERNIZATION OR TO SEEK TO CHANNEL CHINA'S DEVELOPMENT ALONG LINES WHICH DO NOT CONFLICT WITH OUR INTERESTS? THE INFLUENCE WE SPREAD THROUGH CHINESE STUDENTS IN THE U.S. AND AMERICANS IN CHINA WILL HAVE A SIGNIFICANT IMPACT ON CHINESE OPINIONS AND

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BEHAVIOR TOWARDS US OVER THE NEXT 50 YEARS. I CANNOT CATEGORICALLY ASSURE YOU CHINA WILL NOT REVERT TO A XENOPHOBIC, IDEOLOGICAL, HOSTILE OPPONENT. BUT WE HAVE THE OPPORTUNITY TO MINIMIZE THE CHANCE OF SUCH A REVERSION BY SOBERLY AND DELIBERATELY REMAINING ENGAGED WHILE KEEPING OUR NATIONAL INTERESTS CLEARLY IN MIND.

US POLICY TOWARD TECHNOLOGY TRANSFER FROM THE WEST TO CHINA

US EXPORT CONTROL POLICY TOWARD CHINA IS DESIGNED TO BALANCE OUR DESIRE TO SUPPORT CHINA'S ECONOMIC MODERNIZATION, WITH THE NEED TO ASSESS POTENTIAL ADVERSE EFFECTS ON THE SECURITY INTERESTS OF THE US AND OF OUR ALLIES. SPECIFICALLY, OUR POLICY IS AIMED AT LIMITING EXPORTS THAT WOULD MAKE A KEY CONTRIBUTION TO IDENTIFIABLE CHINESE MILITARY PROGRAMS IN 6 CRITICAL MISSION AREAS, IN A MANNER THAT WOULD THREATEN US NATIONAL SECURITY INTERESTS. THE 6 MISSION AREAS ARE: NUCLEAR WEAPONS AND THEIR DELIVERY SYSTEMS, ANTI-SUBMARINE WARFARE, INTELLIGENCE COLLECTION, POWER PROJECTION, ELECTRONIC WARFARE, AND AIR SUPERIORITY.

CONSISTENT WITH THE DEVELOPMENT OF BILATERAL RELATIONS, AND OUR NATIONAL SECURITY CONCERNS, US AND COCOM CONTROLS ON DUAL-USE EXPORTS TO CHINA HAVE BEEN GRADUALLY LIBERALIZED. IN THE MILITARY AREA, APPROVAL OF EXPORTS IS BASED ON AN ANALYSIS OF EACH ITEM'S UTILITY FOR ENHANCING CHINESE DEFENSIVE CAPABILITIES, TAKING INTO CONSIDERATION THE POLITICAL-MILITARY ENVIRONMENT AND THE INTERESTS AND CONCERNS OF OUR OTHER FRIENDS AND ALLIES IN THE REGION. IN THE NUCLEAR AREA, OUR BILATERAL

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COOPERATION AGREEMENT WAS BROUGHT INTO FORCE AT THE END OF LAST YEAR, BUT NO EXPORTS UNDER THE AGREEMENT HAVE BEEN MADE. IMPLEMENTATION DEPENDS FIRST ON REACHING AGREEMENT WITH CHINA ON MUTUALLY ACCEPTABLE ARRANGEMENTS FOR EXCHANGES OF INFORMATION AND VISITS TO MATERIALS, FACILITIES AND COMPONENTS SUBJECT TO THE AGREEMENT, A MATTER WE ARE CONTINUING TO DISCUSS WITH THE CHINESE.

THE MOST RECENT DEVELOPMENT IN OUR TECHNOLOGY TRANSFER POLICY WAS AGREEMENT IN COCOM LATE LAST YEAR TO STREAMLINE APPROVAL OF ROUTINE CHINA CASES IN 27 PRODUCT CATEGORIES. THIS MOVE GREATLY REDUCED COCOM'S CHINA CASELOAD, WHILE ALLOWING CONTINUED REVIEW FOR SENSITIVE CASES.

#### US POLICY TOWARD CHINESE STUDENTS AND VISITORS

YOUR LETTER OF INVITATION ALSO ASKED ABOUT OUR POLICY TOWARD CHINESE STUDENTS AND VISITORS AT SCIENTIFIC AND TECHNICAL INSTITUTIONS IN THE US. SINCE 1978, THE U.S. HAS ENCOURAGED EXCHANGES BETWEEN CHINESE STUDENTS AND SCHOLARS AND THEIR AMERICAN COUNTERPARTS, BECAUSE SUCH CONTACTS ARE ESSENTIAL FOR BETTER UNDERSTANDING BETWEEN OUR TWO COUNTRIES.

THE 13-16,000 CHINESE STUDENTS IN THE US ARE STUDYING IN AREAS WHICH HAVE THE HIGHEST PRIORITY FOR CHINA'S DEVELOPMENT: ENGINEERING AND THE PHYSICAL SCIENCES, COMPUTER SCIENCE, LIFE SCIENCES, AND MATHEMATICS. WE CANNOT BE THE ARBITERS OF THE ACADEMIC AND INTELLECTUAL FREEDOMS EXTENDED THE STUDENTS BY THEIR UNIVERSITIES AND RESEARCH ORGANIZATIONS. HOWEVER, WE AND THE OTHER CONCERNED AGENCIES VIGOROUSLY EXERCISE OUR OVERSIGHT

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RESPONSIBILITIES REGARDING PERMISSION FOR CHINESE STUDENTS OR  
VISITORS TO ENTER SENSITIVE RESEARCH INSTITUTIONS AND SIMILAR  
FACILITIES.

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